



# OFFICE OF AUDITOR OF STATE STATE OF IOWA

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## NEWS RELEASE

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Auditor of State David A. Vaudt today released a report on a special investigation of the Starmont Community School District (District) for the period July 1, 1993 through November 30, 2010. The special investigation was requested by District officials as a result of concerns identified with payroll issued to the District's former Business Manager, Vicki Vanter. Ms. Vanter was placed on paid administrative leave on October 5, 2010 and resigned from the District on October 26, 2010.

Vaudt reported the special investigation identified \$362,622.23 of improper and unsupported disbursements. The improper and unsupported disbursements ranged from \$900.00 in fiscal year 1992 to \$32,474.85 in fiscal year 2006. Of the \$362,622.23 identified, \$229,501.31 is attributable to Ms. Vanter, including:

- \$114,532.57 of improper payments on personal credit cards,
- \$57,990.72 of improper salary and benefits, including \$7,959.32 for the District's FICA and IPERS contributions,
- \$32,932.26 of improper payments to vendors,
- \$16,288.76 of improper reimbursements and other payments,
- \$7,132.00 of improper payments to a financial institution, including \$3,132.00 deposited to Ms. Vanter's personal bank account, and
- \$625.00 of non-sufficient funds charges.

The remaining \$133,120.92 identified is attributable to Gary Stumberg, the District's former Superintendent, including:

- \$36,700.71 of improper and \$25,475.86 of unsupported salary and benefits, including \$11,293.35 and \$3,010.38 for the District's FICA and IPERS contributions on the improper and unsupported salary and benefits, respectively,
- \$49,545.86 of improper and \$3,903.14 of unsupported reimbursements and other payments and
- \$17,495.35 of improper Phase III payments authorized by Mr. Stumberg and issued to various administrators, including \$808.07 for the District's FICA and IPERS contributions.

Vaudt reported the Board authorized salary and benefit package percentage increases at the beginning of each fiscal year for Ms. Vanter and Mr. Stumberg. However, the actual package percentage increases received were greater than the percentage increases approved by the Board in fiscal years 2003, 2006, 2007, 2008, 2010 and 2011 for Ms. Vanter and fiscal years 2004,

2006 and 2008 for Mr. Stumberg. Vaudt also identified several discrepancies in the salary and benefit proposals presented to the Board each fiscal year, including incorrect insurance premiums, incorrect calculations of IPERS and incorrect calculations of package percentage increases for various Central Office staff and administrators.

The \$114,532.57 of improper payments on personal credit cards attributable to Ms. Vanter includes:

- \$61,595.84 issued to Discover for Ms. Vanter's personal credit cards,
- \$37,490.79 issued to First National Bank of Omaha for a personal credit card held in the name of one of Ms. Vanter's daughters,
- \$10,986.47 issued to Retailer's National Bank for Ms. Vanter's personal Target credit card,
- \$2,127.35 issued to Sears for a personal credit card held in the name of one of Ms. Vanter's daughters,
- \$1,700.00 issued to Visa for Ms. Vanter's personal credit card and
- \$632.12 issued to CitiFinancial Retail Services for a personal credit card.

According to available supporting documentation, the personal credit card payments were primarily recorded in the District's accounting system as registration fees for conferences. However, there were also purchase orders stating the payments were for travel reimbursements or supply purchases. Supporting documentation could not be located for all payments identified.

Vaudt reported the \$32,932.26 of improper payments to vendors attributable to Ms. Vanter include:

- \$9,404.91 issued to GE Capital, for which the supporting documentation was comprised of a sticky note stating, "To pay car off, find copy machine invoice."
- \$6,495.00 issued to "NEBHELP," the Nebraska Higher Education Loan Program, which contained the social security number of one of Ms. Vanter's daughters in the cancellation of the redeemed check.
- \$2,325.00 which appeared to be issued to Sandy Merritt, Teacher Tested Innovations. However, upon closer inspection, it was determined that vendor was typed over the original vendor, KDW Property Management. Based on the stamped endorsement, the check was redeemed by KDW Property Management, which is located in Texas. According to an internet search, it appears KDW Property Management operates a school specializing in airline operations. The related check stub had a handwritten notation stating, "W Tuition KDW Property." One of Ms. Vanter's daughters' first name begins with "W." According to District personnel, Ms. Vanter's daughter attended school in Texas to study in that field.
- \$1,500.00 issued to the U.S. Department of Education which contained the social security number of one of Ms. Vanter's daughters in the cancellation of the redeemed check.
- \$1,017.88 issued to Iowa Workforce Development as a penalty for late payment.

Vaudt also reported the \$16,288.76 of improper reimbursements and other payments attributable to Ms. Vanter include \$10,750.00 of improper payments from Phase III and \$5,371.25 of improper reimbursements.

The \$49,545.86 of improper reimbursements and other payments attributable to Mr. Stumberg include \$44,080.40 of improper medical insurance premium reimbursements and \$4,937.56 of improper payments from Phase III. In addition, a \$3,903.14 vacation payout was identified for which no supporting documentation could be located. According to a representative of the Department of Education, funds allocated to community school districts under Phase III of the Educational Excellence Program were intended to be used as teacher incentives for curriculum-building projects, not for District administrators. Vaudt also reported Mr. Stumberg submitted a monthly mileage claim. Although his employment contract specified he was to be reimbursed mileage for District-related travel, certain mileage claimed appeared excessive. For example, Mr. Stumberg's monthly mileage claims included between 96 miles and 324 miles for multiple trips to Strawberry Point. He also claimed between 40 miles for 1 day and 708 miles over 15 days for performing road checks during bad weather conditions.

District officials also raised concerns regarding the District's declining financial position. From fiscal year 2004 to fiscal year 2010, the fund balance of the General Fund decreased \$2,185,065.00, or 138.6%, from \$1,576,746.00 to a deficit balance of \$608,319.00. Vaudt identified various factors which affected the District's financial position; however, fiscal years 2006 and 2007 experienced the most significant changes. In these years, revenues decreased 0.3% and 2.7%, respectively, and expenditures increased 4.6% and 8.1%, respectively. The primary reason for the expenditure increases was the salary and benefit percentage increases awarded. The District has begun to recover, but the cumulative effect of decisions made in prior fiscal years, such as salary and benefit package percentage increases awarded to Central Office staff, administrators and teachers, is still impacting the District's General Fund. In addition, the improper uses of District funds resulting from a lack of administrative oversight has also negatively impacted the District's fund balances.

Vaudt also reported it was not possible to determine whether registration, nutrition and student activity collections were properly deposited because adequate documentation was not available. It was also not possible to determine if additional amounts may have been improperly disbursed because sufficient records were not readily available. Based on a review of the check register maintained in the District's accounting system, it was determined numerous checks did not have a vendor name or description recorded. Vaudt reported it was not possible to determine if this information had been intentionally removed. A number of the improper disbursements were identified through review of redeemed checks.

Copies of this report have been filed with the Fayette County Sheriff's Office, the Division of Criminal Investigation, the Fayette County Attorney's Office and the Attorney General's Office. A copy of the report is available for review in the Office of Auditor of State and on the Auditor of State's web site at: <http://auditor.iowa.gov/specials/1030-6175-BE00.pdf>.